

PUBLIC DISCLOSURE

June 20, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Southbridge Savings Bank
23524**

**253 MAIN STREET
SOUTHBRIDGE, MA 01550**

**Division of Banks
1000 Washington Street, 10th floor
Boston, Ma 02118**

**Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, NY 10118**

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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TABLE OF CONTENTS

I.	General Information	1
II.	Institution Rating	
	a. Overall Rating	1
	b. Description of Institution	2
	c. Description of Assessment Area	3
	d. Conclusions with Respect to Performance Criteria	6
III.	Appendix	
	a. Minority Application Flow (Division of Banks).....	A-1
	b. Definitions	A-2

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Southbridge Savings Bank (or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory" by the FDIC and "High Satisfactory" by the Division.

Note: The FDIC's CRA regulation does not have separate categories within the Satisfactory rating, whereas the Division's CRA regulation allows for either a High Satisfactory or a Satisfactory rating.

The Lending Test is rated "Satisfactory."

- Southbridge Savings Bank's average net loan-to-deposit ratio is more than reasonable given the institution's size and assessment area credit needs.
- A majority of the Bank's loans and other lending related activities are in the institution's assessment area.
- Given the demographics of the assessment area and aggregate data, the distribution of loans reflects a reasonable penetration among borrowers of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of the Bank's loans reflects reasonable dispersion throughout the assessment area.
- The Bank has not received any CRA-related complaints.

The Community Development Test is rated "Outstanding."

- Southbridge Savings Bank's overall community development performance demonstrates excellent responsiveness to the community development needs of its assessment area, particularly through community development lending and services.

PERFORMANCE CONTEXT

Description of Institution

Southbridge Savings Bank is a Massachusetts chartered, stock savings bank chartered in 1848. The Bank operates nine full service banking offices; two offices in Southbridge (including the main office) and one office each in Charlton, Holden, Sturbridge, Worcester, North Oxford, Webster, and Spencer. Two of the branches are located in Big Y supermarkets. Each of these locations is equipped with an automated teller machine (ATM), and those not in a supermarket include drive-up facilities. The Bank also operates a commercial services office in Southbridge.

Since the last FDIC CRA evaluation, the Bank closed four branches; two in 2008, one in 2009, and one in 2010. The closed branches were in Amherst (upper-income census tract), Palmer (middle-income census tract), West Springfield (moderate-income census tract), and Worcester (middle-income census tract). All of the closed branches were located inside Big Y supermarkets.

Both the main office and the commercial services office in Southbridge are located in a moderate-income census tract. The Worcester branch is also located in a moderate-income census tract. The remaining branches are dispersed throughout the middle- and upper-income tracts.

Southbridge Savings Bank is a full-service financial institution that offers a wide variety of products and services. The Bank offers a variety of home financing programs for the purchase, refinance, or construction of residential property. The Bank also offers secured and unsecured consumer loans including home improvement, home equity loans and lines of credit, personal loans, and automobile loans.

The Bank is primarily a portfolio lender, but also sells some residential loans to the secondary market. Residents of the assessment area benefit from Southbridge Savings Bank being a portfolio lender because the Bank is able to lend to borrowers and on properties whose qualifications may not conform to general underwriting standards and to offer flexible mortgage underwriting criteria benefiting low- and moderate-income borrowers. Similarly, residents benefit from the Bank selling onto the secondary market as it provides homeowners with more financing options and competitively priced fixed-rate mortgages. Since the last FDIC CRA examination the Bank sold 277 mortgages to the Federal Home Loan Bank totaling \$48.2 million.

Retail customers can choose from a variety of deposit product offerings, including savings, checking, and retirement accounts. The Bank also offers non-FDIC insured investment products such as mutual funds, fixed- and variable-rate annuities, and retirement accounts through SSB Investment Services.

Commercial customers can choose from an array of savings, checking, and investment account services, as well as a full line of financing options. The Bank also offers cash management and other specialized services such as merchant and payroll services.

As of March 31, 2011, Southbridge Savings Bank has total assets of \$423.8 million, consisting principally of loans. Total assets have remained relatively stable since the last FDIC CRA evaluation of March 17, 2008. Loans total \$348.5 million and currently account for 82.5 percent of total assets. Refer to Table 1 for information regarding the composition of the loan portfolio.

Table 1 Loan Distribution as of March 31, 2011		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
1-4 Family Construction Loans	9,859	2.8
Other Construction and Land Development	1,692	0.5
Secured by Farmland	0	0.0
1-4 Family Residential	227,150	65.2
Multi-Family (5 or more) Residential	24,353	7.0
Commercial	63,562	18.2
Total Real Estate Loans	326,616	93.7
Commercial and Industrial	14,385	4.1
Consumer	7,460	2.2
Total Loans	348,461	100.0

Source: Report of Condition and Income

As the data in Table 1 shows, the Bank is primarily a residential real estate lender with 93.7 percent of the loan portfolio secured by residential and commercial real estate. Residential real-estate loans comprise the single greatest share of the loan portfolio. These loans are secured by one- to four-family residences and include closed-end mortgage loans, equity loans, and revolving home equity lines of credit. Loans secured by commercial real estate comprise the next largest share of the portfolio. These loans are typically collateralized by the properties used for the borrowers' business such as small office buildings and retail facilities. Residential loans secured by multi-family properties comprise the next largest share of the portfolio.

The FDIC assigned the Bank a CRA rating of "Satisfactory" at its last CRA evaluation on March 17, 2008. The Division assigned a rating of "Outstanding" during its March 27, 2006 CRA evaluation. There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area.

Description of Assessment Area

The CRA requires each financial institution to define an assessment area within which its CRA performance will be evaluated. Southbridge Savings Bank has defined its assessment area to include 21 cities and towns located throughout Hampden, Hampshire, and Worcester Counties in Massachusetts and Windham County in Connecticut.

Listed below are the communities that comprise the assessment area grouped by the Metropolitan Statistical Area ("MSA") or non-MSA in which they are located:

Springfield, MA MSA: Brimfield/Holland/Wales, Monson, Palmer, and Ware.

Worcester, MA MSA: Brookfield, Charlton, Dudley, East Brookfield, Holden, North Brookfield, Oxford, Paxton, Southbridge, Spencer, Sturbridge, Warren, Webster, West Brookfield, and Worcester.

Non-MSA, CT: Thompson and Woodstock.

As shown in Table 2, the assessment area is composed of 79 census tracts. Of these, 11 are low-, 22 are moderate-, 38 are middle-, and 8 are upper-income. The assessment area is a large geographic area that encompasses both central and western Massachusetts and represents a unique configuration. The assessment area is a highly diverse area with both urban and suburban components. Families are reasonably split among income categories. Refer to Table 2 below for pertinent demographic information concerning the assessment area.

Table 2 Demographic Information for Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	79	13.92	27.85	48.10	10.13
Population by Geography	353,019	11.45	26.54	50.90	11.11
Owner-Occupied Housing by Geography	78,379	2.72	18.80	63.39	15.08
Business by Geography	21,207	11.15	27.10	51.47	10.28
Farms by Geography	479	2.92	12.53	70.77	13.78
Family Distribution by Income Level	88,697	25.36	19.42	22.97	32.24
Distribution of Low- and Moderate-Income Families throughout AA Geographies	39,723	16.48	34.06	43.75	5.71
Median Family Income		56,308	Median Housing Value		\$120,809
HUD Adjusted Median Family Income for 2010		75,455	Unemployment Rate		
Households Below Poverty Level		12%	(2000 Census)		2.5%

Source: 2000 US Census and 2010 HUD updated MFI

As shown in Table 2, the median housing value in 2000 for the assessment area was \$120,809. Like much of New England, the area's housing prices have experienced dramatic changes in value since that time. Home statistics published by the Warren Group show that the area's median home sales prices for 2010 ranged from \$60,000 in Brimfield to \$242,133 in Holden. The average median sales price in 2010 now more closely approximates \$153,106.

Numerous businesses operate throughout the area, nearly half of which are concentrated in the upper-income census tracts. According to 2010 Business Geodemographic Data, the area has 21,686 businesses in operation, 76.4 percent of which are known to have gross annual revenues under \$1 million. The highest proportion of these business establishments are engaged in the service industry. Businesses involved in retail trade and construction also make up a significant share of the establishments. In terms of employees, over half of the area's businesses employ four or fewer people.

Southbridge Savings Bank operates in a competitive market area in terms of financial services. The Bank competes for loan volume with the many commercial banks, savings banks, credit unions, and mortgage brokers and lenders that operate in the area. Among the more prominent mortgage lenders competing with the Bank are Bank of America, NA, Country Bank for Savings, Wells Fargo Bank, NA, Sovereign Bank, and Metlife Bank, NA. Southbridge Savings Bank ranked sixth out of the 329 lenders that originated 10,237 loans in the assessment area in 2009.

SCOPE OF THE EXAMINATION

The Interagency Intermediate Small Bank CRA evaluation procedures were used to assess the Bank's CRA performance. These procedures utilize two performance tests: the Lending Test and the Community Development Test. The Lending Test focused on home mortgage and small business lending. Home mortgage and small business data analyzed included full-year data from January 1, 2009 through December 31, 2010. Information concerning the home mortgage lending was derived from the Loan Application Registers ("LARs") maintained by the Bank, pursuant to the Home Mortgage Disclosure Act ("HMDA"). The LARs contain data about home purchase and home improvement loans, including refinancings, of one- to four-family and multifamily (five or more units) properties. Information concerning small business lending was derived from CRA small business loan registers maintained by the Bank.¹ The registers contain information on commercial real estate and commercial and industrial loans originated with original balances of \$1 million or less. As the Bank did not originate any small farm loans, they are not part of the Lending Test analyses. Additionally, as the Bank's consumer loans make up a small portion of the Bank's loan portfolio at 2.1 percent, these loans are also not considered in the Lending Test analysis.

The Lending Test's primary focus for HMDA data and the information presented in the tables is the Bank's lending performance in 2009. Calendar year 2009 is focused on as this is the most recent year for which aggregate HMDA lending data is available. The aggregate HMDA lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting lenders that originated loans in the Bank's assessment area. Conversely, as an Intermediate Small Institution, the Bank was not required to collect and report small business loans during the review period; however, the Bank did collect and report small business loan data in a format that allowed analysis of all applicable loans. However, comparing the Bank's small business lending activity to the aggregate data was not appropriate. Instead, the Bank's small business lending performance was compared to pertinent demographic data, with a focus on the most complete calendar year, or 2010. Please note, as the Bank's primary focus is residential lending, more weight is assigned to the institution's HMDA data when determining a rating.

HMDA lending activity for calendar year 2010 was also analyzed to identify any significant trends or anomalies. Reference to the 2010 data is not included in the tables, except for lending inside and outside the assessment area. There were no adverse trends and anomalies in comparison with 2009 lending patterns. Therefore, reference to 2010 data is not included within the text. There were also no adverse trends or anomalies between the 2009 small business data and the 2010 small business data included in the tables.

The Community Development Test included community development loans, investments, and services for the period of March 17, 2008 through June 20, 2011. Community development grants for the same time period were also included. Qualified equity investments currently held by the Bank were also included regardless of investment date. The investments were valued at the March 31, 2011 book value.

Demographic information is from the 2000 U.S. Census unless otherwise noted. Financial data was derived from the March 31, 2011 Report of Condition and Income (Call Reports).

¹ While the bank is not subject to formal CRA data reporting, the institution opted to continue filing small business data.

PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Deposit Analysis

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The Bank's average Loan-to-Deposit ("LTD") ratio is more than reasonable based on the level and trend of the LTD ratio, a peer group comparison, and the volume of loan sales.

The averaged LTD ratio for Southbridge Savings Bank over the period reviewed is 107.6 percent. The ratio was calculated by averaging the Bank's 13 quarterly LTD ratios occurring for the period of March 31, 2008 through March 31, 2011. The LTD ratio has remained relatively stable during this evaluation period. As noted in Table 3, the Bank's current LTD ratio (as of March 31, 2011) is 106.16 percent. The current LTD ratio is higher than all of the LTD ratios of similarly situated institutions also included in the Table.

Table 3 Loan-to-Deposit Ratios		
Institution	March 31, 2011 LTD Ratio %	Assets as of March 31, 2011 \$ (000s)
Southbridge Savings Bank	106.16	423,757
Fidelity Co-operative Bank	87.23	521,985
Savers Co-operative Bank	90.97	403,844
Athol Savings Bank	61.55	325,447
Clinton Savings Bank	89.57	482,682
Spencer Savings Bank	81.05	387,478
Bay State Savings Bank	92.10	268,294

Source: Reports of Condition and Income

Not reflected in the LTD ratios is the volume of loans sold. As stated previously, the Bank sold 277 loans totaling approximately \$48.2 million during the review period. Selling loans not only permits Southbridge Savings Bank to better manage its interest rate risk, but also allows the Bank to originate a larger volume of loans than would otherwise be possible.

Comparison of Credit Extended Inside and Outside of the Assessment Area

This performance criterion determines what percentage of the Bank's lending occurs within the assessment area and evaluates its appropriateness. Based on a review of the home loan and small business loan data, a majority of the Bank's lending activity by number and dollar volume occurs in the assessment area.

Table 4 Distribution of Loans Inside and Outside of Assessment Area											
Loan Category or Type and Year		Number Loans					Dollar Volume ('000s)				
		Inside		Outside		Total	Inside		Outside		Total
		#	%	#	%		\$	%	\$	%	
Home Purchase	2009	73	81.11	17	18.89	90	12,918	70.21	5,481	29.79	18,399
	2010	52	74.29	18	25.71	70	8,599	68.83	3,894	31.17	12,493
Refinance	2009	107	78.68	29	21.32	136	19,385	65.78	10,083	34.22	29,468
	2010	138	81.18	32	18.82	170	22,276	75.34	7,292	24.66	29,568
Home Improvement	2009	32	84.21	6	15.79	38	3,726	66.94	1,840	33.06	5,566
	2010	38	80.85	9	19.15	47	5,312	84.67	962	15.33	6,274
Total Home Loans		440	79.85	111	20.15	551	72,216	70.96	29,552	29.04	101,768
Small Business	2009	78	88.64	10	11.36	88	11,532	76.53	3,537	23.47	15,069
	2010	88	79.28	23	20.72	111	14,101	76.61	4,305	23.39	18,406
Total Small Business		166	83.42	33	16.58	199	25,633	76.57	7,842	23.43	33,475
Grand Total		606	80.80	144	19.20	750	97,849	72.35	37,394	27.65	135,243

Source: 2009 and 2010 HMDA and Small Business data.

As noted in Table 4, the Bank originated 80.8 percent by number and 72.35 percent by dollar volume of its HMDA reportable and small business loans inside the assessment area. These figures demonstrate that the Bank is successful at extending credit inside its assessment area.

Borrower Profile

The distribution of credit among borrowers of different income levels and businesses of different sizes was reviewed to determine the extent to which the Bank is addressing the credit needs of the area's residents and small businesses. Based on the review of the HMDA LARs and the small business loan data, the Bank has achieved a reasonable penetration of loans among borrowers of different income levels (including low- and moderate-income) and businesses of different revenue sizes.

Home Loans

The Bank's distribution of home loans among borrowers of different income levels is reasonable based on the area's demographics, a comparison to aggregate lending data, and a review of the Bank's market rank. Refer to Table 5 for information concerning the distribution of HMDA loans by borrower income.

Table 5 Distribution of HMDA Loans by Borrower Income Level				
Borrower Income Level	% of Total Families	Aggregate Lending Data (% of #)	Bank Data 2009	
	2000	2009	#	%
Low	25.36	7.59	19	8.96
Moderate	19.43	23.86	37	17.45
Middle	22.97	25.62	46	21.70
Upper	32.24	25.17	89	41.98
NA Income	0.00	17.76	21	9.91
Total	100.00	100.00	212	100.00

Source: 2000 U.S. Census, HMDA LAR (2009), and HMDA Aggregate Data (2009)

The data in Table 5 show that lending to the assessment area's moderate-income borrowers is lower than the aggregate lending data (17.45 percent vs. 23.86 percent); however, it is reasonably similar to the percentage of families in that income category (19.43 percent). The Bank's lending to low-income borrowers is slightly higher than the aggregate data (8.96 percent vs. 7.59 percent), but is lower than the percent of families in that income category (25.36 percent). The parity with the percentage of low-income families is not unexpected due to the high cost of housing in Massachusetts and the high poverty level. Of all low-income families in the assessment area, 36.7 percent are below the poverty level and would likely not qualify for home mortgage loans.

Southbridge Savings Bank has created a Small Dollar Loan Program in an effort to help meet its community's consumer lending needs. The institution's program allows loan amounts of \$500 to \$3,000 for a term not to exceed 36 months. The loan program was designed to offer low- and moderate-income borrowers an alternative to payday lending. Since its inception in 2008, the Bank has originated 35 loans totaling \$28,154.68 under this program.

Small Business Loans

The Bank has achieved a reasonable penetration among businesses of different sizes based on the area's demographics and a review of the distribution of loans by loan amount. Of the 88 small business loans originated by the Bank within its assessment area during 2010, 53.4 percent were to businesses with gross annual revenues of \$1 million or less.

The Bank's small business loans were also analyzed by loan amount. Refer to Table 6 for the breakdown of these loans by loan amount.

Table 6				
Distribution of 2010 Small Business Loans by Loan Amount				
Loan Amount	#	%	\$(000's)	%
Less than \$100,000	59	68.6	3,023	23.1
From \$100,000 to \$250,000	12	14.0	2,292	17.6
From \$250,000 to \$1 Million	15	17.4	7,755	59.3
Total	86*	100.0	13,070	100.0

Source: 2010 Small Business Data provided by bank

*Does not include 2 loans to businesses with incomes reported as NA.

As shown in Table 6 above, 86 small business loans were to businesses that reported incomes. The Bank made 59, or 68.6 percent, in amounts less than \$100,000. When the loan amount is used as a proxy for business size, the data indicates that the Bank is helping to meet the credit needs of the area's smallest businesses.

Geographic Distribution of Loans

The geographic distribution of loans was reviewed to assess how well the Bank is addressing the credit needs throughout the assessment area. Based on the review of the HMDA LARs and the small business loan data, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Home Loans

The Bank has achieved a reasonable dispersion of home loans throughout the assessment area based on the area's demographics, a comparison to aggregate lending data, and a review of the Bank's market rank. Refer to Table 7 for specific information concerning the distribution of HMDA loans among the census tract income categories.

Table 7 Geographic Distribution of HMDA Loans				
Census Tract Income Level	% of Owner Occupied Housing Units	Aggregate Lending Data (% of #)	Bank Data 2009	
	2000	2009	#	%
Low	2.72	2.90	7	3.30
Moderate	18.81	16.53	26	12.26
Middle	63.39	61.91	139	65.57
Upper	15.08	18.66	40	18.87
Total	100.00	100.00	212	100.00

Source: 2000 U.S. Census, HMDA LAR (2009), and HMDA Aggregate Data (2009)

The majority of the Bank's lending is within the middle-income census tracts (65.57 percent), which is not unreasonable given that the majority of owner-occupied housing units are within those census tracts. Residential lending in the assessment area's low-income census tracts is slightly higher than both the aggregate lending performance and the percentage of owner occupied housing units in those tracts (3.30 percent vs. 2.90 percent and 2.72 percent). The Bank's lending in the moderate-income tracts is below both the aggregate percentage and the percentage of owner occupied housing units (12.26 percent vs. 16.53 percent and 18.81 percent), but still reflects that the Bank is extending credit in those areas. All of these comparisons lead to the assessment that the geographic distribution of the Bank's home loans reflects a reasonable dispersion.

Small Business Loans

The Bank has achieved a reasonable dispersion of small business loans among the census tracts of different income levels.

As depicted in Table 8, the Bank originated 7.95 percent of its small business loans in the assessment area's low-income census tracts in 2010. That percentage of lending is below the percentage of businesses operating within those tracts (11.15 percent). The Bank's small business lending within the assessment area's moderate-income census tracts is also lower than the percent of businesses operating within those tracts (19.32 percent vs. 27.10 percent).

Table 8 Geographic Distribution of Small Business Loans			
Census Tract Income Level	% of Businesses	Bank Data 2010	
		#	%
Low	11.15	7	7.95
Moderate	27.10	17	19.32
Middle	51.47	49	55.68
Upper	10.28	15	17.05
Total	100.00	88	100.00

Source: 2010 Business Geodemographic Data and 2010 Small Business Data

Compliance with Anti-Discrimination Laws and Regulations

A review was conducted for compliance with fair lending regulations and no evidence of disparate treatment or impact was revealed.

THE COMMUNITY DEVELOPMENT TEST

Southbridge Savings Bank's community development performance demonstrates an excellent responsiveness to the community development needs of its assessment area. Based on a review of demographic and economic data as well as a review of activities of similarly situated banks, the assessment area has a high degree of community development need, particularly in the more urban areas of Southbridge and Worcester. The Bank has helped meet these community development needs through the provision of community development loans, qualified investments and grants, and community development services.

Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

During this evaluation period, Southbridge Savings Bank has made a high number of community development loans that targeted either low- to moderate-income individuals or geographies or both. In total, the Bank originated 38 community development loans totaling \$20.8 million. This dollar amount represents 6.0 percent of total loans as of March 31, 2011. Summarized in Table 9 below are the community development loans by community development category and year originated.

Table 9								
Community Development Loans								
Community Development Category	2008		2009		2010		2011	
	#	\$	#	\$	#	\$	#	\$
Affordable Housing	7	3,791	12	4,339	7	1,364	1	706
Community Services	2	875	0	0	0	0	1	500
Promote Economic Development	0	0	4	2,581	3	5,100	1	1,520
Revitalization	0	0	0	0	0	0	0	0
Total	9	4,666	16	6,920	10	6,464	3	2,726

Source: Internal Bank Records

Qualified Investments

A qualified investment for the purposes of this CRA evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose.

Equity Investments

As of March 31, 2011, Southbridge Savings Bank is holding two qualified equity investments with a total book value of \$685,161. The two investments are mortgage backed securities purchased in 2004 and 2005 for a total of \$1,425,133. The current book value of the securities represents 3.6 percent of the Bank's total securities.

Grants and Donations

Southbridge Savings Bank has also provided support to its community through qualified grants and donations made directly to local charitable organizations. During the evaluation period, the Bank donated \$94,560 that was qualified under the definition of community development. Organizations that benefitted from the Bank's donations include Center of Hope, Consumer Credit Counseling, Food Bank of Western Massachusetts, Quaboag Valley Community Development Corporation, and numerous fuel assistance organizations throughout the assessment area.

Of the total dollars donated during the review period, almost all were provided to organizations that provide community services targeted to low- and moderate-income individuals. Refer to Table 10 for a listing of the grants by community development category and year.

Table 10										
Community Development Grants and Donations by Category										
Community Development Category	2008		2009		2010		2011		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Community Services	20	9,060	12	10,850	12	14,775	4	5,025	48	39,710
Economic Development	0	0	1	500	1	1,500	2	1,700	4	3,700
Affordable Housing	2	12,650	3	16,000	4	21,500	1	1,000	10	51,150
Total	22	21,710	16	27,350	17	37,775	7	7,725	62	94,560

Source: Internal Bank Records. Review Period 3/18/2008-6/20/2011 and FDIC Call Reports

Table 11 shows the Bank's qualified grants and donations by year, as well as the Bank's pre-tax net operating income (NOI) for each year. Normally, a Bank's qualified grants and donations are compared to pre-tax NOI to help gauge the Bank's investment in the community based on its capacity to do so. In this case, Southbridge Savings Bank's pre-tax NOI for 2008 and 2009 was negative; thus, a meaningful percentage cannot be calculated for those periods. However, it is noteworthy that the Bank extended the amount of donations it did in those two years despite having negative pre-tax NOI.

Table 11					
Community Development Grants and Donations by Year					
	2008	2009	2010	YTD 2011	Total
Southbridge Savings Bank	21,710	27,350	37,775	7,725	94,560
Pre-tax NOI ('000s)	(8,030)	(581)	3,036	1,386	(4,189)
Donations/Pre-Tax NOI	*	*	1.24	0.56	*
# of Organization Benefiting from Donations	22	16	17	7	62

Source: Internal Bank Records. Review Period 3/18/2008-6/20/2011. FDIC Call reports.

*A meaningful calculation cannot be made due to the negative pre-tax NOI figure.

Community Development Services

Southbridge Savings Bank provides a high level of community development services. These services have resulted in a better-educated community, increased awareness of community needs, and contributed to improving the communities served. The Bank offered services to low- and moderate-income residents within the assessment area and provided technical assistance to organizations with a community development purpose. The active involvement of the Bank's directors, officers, and employees in community development organizations is indicative of the Bank's commitment to serve the community development needs of the assessment area.

Directors, Officers and employees of the Bank are involved in local community development and nonprofit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, and volunteers. Summarized in Table 12 are the organizations the Bank provides services to by community development category.

Table 12 Community Development Organizations by Category	
<i>Community Development Category</i>	# of Bank Representatives
Affordable Housing for Low- and Moderate	6
Promote Economic Development	7
Community Services Targeted to Low- and Moderate-Income	33
Total	46

Source: Internal Bank Records

Following are descriptions of a sample of the community development services provided by Southbridge Savings Bank personnel within its assessment area. These services meet the definition of community development and are related to the provision of financial services as required for consideration under the Community Reinvestment Act:

- *Seniors and Law Enforcement Together (SALT)*: SALT provides financial education for seniors to prevent fraud and abuse. A Vice President of the Bank serves as the Treasurer of this organization and another Vice President teaches financial safety and provides financial services.
- *The Southbridge Downtown Partnership for Economic Development*: This organization is dedicated to revitalizing the downtown area. The President of the Bank is a Board member and Chairman of the Marketing Committee.
- *South Middlesex Opportunity Council (SMOC)*: SMOC is dedicated to ensuring that comprehensive services, including training, rehabilitation, education, care treatment housing, and food be provided for the homeless and the working poor. A Vice President of the Bank serves as a member of the executive committee and is a board member.

- *Quaboag Valley Community Development Corporation and Business Assistance Corporation (QVCDC)*: The objective of the QVCDC is to provide loans to area businesses that are micro entrepreneurs or intend to create jobs, redevelop blighted commercial areas that private investors have traditionally avoided, create employment opportunities for unemployed or underemployed through specialized training programs, and coordinate public and private resources on regional economic development projects. A Branch Manager of the Bank is a member of this organization.
- *Quaboag Valley Chamber of Commerce (QVCC)*: QVCC builds strong businesses and communities by connecting business with new customers and suppliers as well as influencing the local economy. Two Branch Managers of the Bank are involved with this organization. One serves as a board member.

In addition to the involvement of its officers and employees, the Bank also provided and participated in the following training during this evaluation period:

- Three first-time homebuyer seminars,
- Four reverse mortgage seminars,
- Five foreclosure prevention seminars; one with the FDIC and one in Spanish,
- Eight financial literacy classes to students,
- One seminar regarding providing access to credit for small businesses,
- One presentation on electronic banking for seniors, and
- Six additional financial literacy classes.

Other Community Development Services

Branch/ATM/Other Facility Distribution

Delivery systems are reasonably accessible to essentially all portions of the assessment area. Table 13 shows the geographic distribution of branches by census tract income.

Table 13						
Distribution of Branches and ATMs						
Census Tract Income	Percent of Tracts	Percent of Population	Branches		ATMs	
			#	%	#	%
Low	13.92	11.45	0	0.0	0	0.0
Moderate	27.85	26.54	3	33.33	4	36.36
Middle	48.10	50.90	4	44.44	4	36.36
Upper	10.13	11.11	2	22.23	3	27.28
Total	100.00	100.00	9	100.00	11	100.00

Source: 2000 U.S. Census Data and Internal Bank Records

The Bank has no offices in the low-income census tracts, but it does have three branches in moderate-income census tracts. The geographic distribution of ATMs is similar to that of the branch offices since many of the ATMs are located in a branch. The Bank operates two remote ATMs, one in a moderate-income tract in Southbridge and the other in an upper-income tract in Holden.

Southbridge Savings Bank has also created a foreclosure prevention program to assist its customers in avoiding foreclosure and maintaining stability in its neighborhoods. Since the program's inception in 2009, the Bank has originated 77 loans totaling \$15.2 million.

The Bank participates in the Massachusetts Community and Banking Council's (MCBC) Basic Banking in Massachusetts program. This statewide program is designed to offer low cost checking and savings accounts to low- and moderate-income individuals.

APPENDIX A

Fair Lending Policies and Procedures

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. During this period, 23 applications, or 3.6 percent were received from racial and ethnic minorities of which 11 or 47.8 percent were originated.

MINORITY APPLICATION FLOW								
RACE	2009 Bank Data		2009 Aggregate Data		2010 Bank Data		Bank TOTAL	
	#	#	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	50	0.2	0	0.0	0	0.0
<i>Asian</i>	3	1.0	551	2.6	7	2.0	10	1.5
<i>Black/ African American</i>	2	0.7	539	2.6	4	1.1	6	0.9
<i>Hawaiian/Pac Isl.</i>	2	0.7	17	0.1	0	0.0	2	0.3
<i>2 or more Minority</i>	0	0.0	7	0.1	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	3	1.0	178	0.8	2	0.6	5	0.9
Total Minority	10	3.4	1,342	6.4	13	3.7	23	3.6
<i>White</i>	264	91.4	15,383	73.1	315	89.2	579	90.2
<i>Race Not Available</i>	15	5.2	4,305	20.5	25	7.1	40	6.2
Total	289	100.0	21,030	100.0	353	100.0	642	100.0
ETHNICITY								
<i>Hispanic or Latino</i>	8	2.7	624	3.0	6	1.7	14	2.2
<i>Not Hispanic or Latino</i>	260	90.0	15,882	75.5	322	91.2	582	90.6
<i>Joint (Hisp/Lat/Not Hisp/Lat)</i>	6	2.1	157	0.7	1	0.3	7	1.1
<i>Ethnicity Not Available</i>	15	5.2	4,367	20.8	24	6.8	39	6.1
Total	289	100.0	21,030	100.0	353	100.0	642	100.0

Source: US Census, HMDA LAR, HMDA Aggregate Data

According to the 2000 Census Data, the Bank's assessment area contained a total population of 353,019 individuals, of whom 17.2 percent are minorities. The assessment area's minority and ethnic population is 3.3 percent African American, 2.7 percent Asian/Pacific Island, 0.3 percent American Indian, 9.1 percent Hispanic or Latino and 1.8 percent other.

The Bank's racial minority application flow, when compared to aggregate lending performance levels and assessment area demographics, is not on par. However, the Bank's performance with regard to Ethnic minorities is on par with the aggregate, if not the demographics.

APPENDIX B DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and by the Federal Deposit Insurance Corporation, at 253 Main Street, Southbridge, MA 01550."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.